

**CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY**

POLICY NO.: 900-12
EFFECTIVE DATE: **DRAFT**

SUBJECT:

BUSINESS AND INDUSTRY INCENTIVE PROGRAM

BACKGROUND:

Local residents depend on a sound a healthy economy for both the jobs and commercial services that provide the foundation for a high quality of life. The City of San Diego depends on the stability and growth of taxes and other revenues resulting from a sound and healthy economy to provide essential services to the community.

Auto malls, shopping centers, manufacturing facilities, research and development facilities, and large point-of-sale businesses are responsible for a substantial portion of the City's general fund revenues. A decline in these businesses' sales, number, or overall health will lead to a corresponding erosion in the tax base, jobs, revenues to the City, and public service levels. Other jurisdictions aggressively compete for these businesses' jobs and revenues by offering attractive incentives and subsidies for the purpose of inducing them to relocate from San Diego.

A further challenge to the City's quality of life is that certain parts of the City have declined in economic vitality because of their age, competition from newer retail centers, and disinvestment. This decline further reduces the City of San Diego's property and sales tax base as well as diminishing the quality and number of these areas' residents' desired commercial services.

The City of San Diego has programs aimed at specific economic development goals. For example, the Redevelopment Agency has the ability to provide financial assistance to businesses as part of a plan to eliminate blighting conditions; the Enterprise Zones promote job opportunities in low-income neighborhoods; targeted public improvements are used to stimulate new private investments; and the Business Improvement Districts provide a partnership between the City and merchants in certain designated commercial corridors to provide private sector revitalization solutions.

Despite these programs, the City must also have a program to offer financial or other assistance for major revenue and job generating projects that promote a sound and healthy economy, to promote the stability and growth of City taxes and other revenues, to encourage new business and other appropriate development in older parts of the City, and to respond to other jurisdictions' efforts to induce businesses to relocate from San Diego.

PURPOSE:

To provide for a Business and Industry Incentive Program designed to attract and retain major revenue, job generating, and revitalization projects throughout the City, along with criteria and procedures to ensure that the Program is equitably and efficiently administered.

POLICY:

It shall be the policy of the City Council as follows:

A. Criteria for Business and Industry Incentives

The City may provide assistance when necessary or appropriate to attract, retain, expand, or assist projects or businesses which meet both following criteria –

1. Either:
 - (a.) Provide significant revenues and/or jobs that contribute to a sound and healthy economy;
 - (b.) Promote the stability and growth of City taxes and other revenues;
 - (c.) Encourage new business and other appropriate development in older parts of the City; or
 - (d.) Respond to other jurisdictions' efforts to induce businesses to relocate from San Diego;
- and
2. Are consistent with the City's current adopted Community and Economic Development Strategy.

B. Authorized Business and Industry Incentives

The City may provide one or more of the following incentives, as necessary or appropriate, for projects or businesses that meet the criteria of A. above –

1. The City Manager or his designee may exercise administrative discretion to authorize one or more of the following incentives:
 - (a.) The provision of assistance in securing required City permits and approvals;
 - (b.) The provision of due diligence assistance in advance as a potentially valuable project is under consideration, and the provision of preliminary reviews;
 - (c.) The expediting of required Development Review Department permits;
 - (d.) Crediting up to 45% of sales or use taxes paid by the business against City business license taxes and/or development related fees, or rebating up to 25% of sales or use taxes paid by the business, if such sales or use taxes

constitute previously uncollectable revenue to the City and the business pays its sales or use taxes to the State Board of Equalization properly reporting San Diego as the situs of sale or use, consistent with the provisions of the Business Cooperation Program (Resolution R-288034); and/or

(e.) Reducing water and sewer capacity charges by \$1,000 per equivalent dwelling unit (Resolution R-287534).

2. The City Council must approve any one or more of the following incentives:
 - (a.) Reimbursing all or a portion of City permit processing fees, Development Impact Fees, Facilities Benefit Assessments, Housing Impact Fees, Water/Sewer Capacity fees; fees collected pursuant to Developer Reimbursement Agreements, and/or costs of public improvements that are a required condition of the development, from future revenues to the City generated directly from the project after the City's receipt thereof;
 - (b.) Rebating all or a part of the City's portion of real and personal property taxes paid to the County Assessor levied on real and personal property related to the project's manufacturing process after the City's receipt thereof, consistent with the provisions of authorizing state law (Calif. Rev. & Taxation Code, Section 5108 *et.seq.* and 51298 *et.seq.*); and/or
 - (c.) Providing tax-exempt bond financing through issuance or approval of Industrial Development Bonds, Non-Profit Bonds, or Enterprise Zone Bonds, pursuant to Council Policy 100-12.

PROCEDURE:

An owner or authorized proponent of a business or project seeking assistance from the City of San Diego shall submit information to the City Manager or his designee detailing how the business or project meets the required criteria, the type of assistance requested, and how the assistance may affect the development decision.

The City Manager or his designee shall review the business or project information and may deny the requested assistance or negotiate an Incentive Agreement providing for assistance, as appropriate. If necessary, the Manager or his designee may request, additional information, may refer the request and supporting information to a City financial consultant, or may require the applicant to assume the costs of an independent consultant selected by the City. If assistance pursuant to this Policy is justified, an agreement shall be drafted incorporating the recommended assistance among the incentives described in Paragraph B above, as appropriate.

An agreement that does not involve General Fund reimbursement of fees or rebate of taxes, or which authorizes reimbursement based on prior City Council authorization, may be approved by City Manager action. An agreement that requires General fund reimbursement of fees or rebate of taxes shall be presented to the City Council for its review and approval, along with a supporting Manager's Report. The Manager's Report shall include a cost/benefit analysis of the proposed incentive, including both the fiscal impact on the City as well as broader economic and social impacts, if any. General Fund

obligations incurred as a result of Incentive Agreement approved by the City Council shall be included in the Annual Budget.

Incentive Agreements shall be comprehensive in scope, including all types of assistance necessary and appropriate for the business or project as well as appropriate requirements that the business or project must fulfill as conditions for receiving the assistance, including requirements involving City partnership agencies such as the Centre City Development Corporation, the San Diego Workforce Partnership, etc. Approval of an Incentive Agreement, whether by City Manager action or by the City Council, does not imply approval of required development permits, including discretionary permits.

REFERENCE:

Council Policy 900-01 - Economic Development
Council Policy 000-19 - Legislative Policy Guidelines
Council Policy 100-12 - Industrial Development Bond Program
Resolution R-287534 – Water/Sewer Capacity Fee Reductions
Resolution R-286015 – Housing Impact Fee Waiver – Enterprise Zones
Resolution R-288034 – Business Cooperation Program

HISTORY:

Added by Resolution R-282497 08/09/1993
Amended by Resolution R-290241 06/15/1998

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

POLICY NO.: 900-12
EFFECTIVE DATE: June 15, 1998

SUBJECT:

BUSINESS AND INDUSTRY INCENTIVE PROGRAM

BACKGROUND:

The City of San Diego is dependent on the continued stability and growth in various revenues and jobs in order to provide essential services to the community. Stability and growth in revenues such as sales and property tax are related not only to the health of the local economy, but to the location and expansion of major revenue and job generating developments.

Commercial development such as auto malls and shopping centers as well as point of sale businesses are responsible for the substantial portion of the City's general fund revenues. A decline in these types of establishments within the City of San Diego will lead to a corresponding erosion in the tax base, jobs, and revenues to the City.

Other jurisdictions within the region are aggressively competing for additional revenues and jobs from these businesses. Incentives and subsidies are commonly provided in order to attract and retain these revenue and job generating projects.

The City of San Diego through its Redevelopment Agency has the ability to provide financial assistance to eliminate blighting conditions. Similarly, the City has developed a process and procedures for the disposition of City-owned land which include the ability to offer some financial incentives. The City also has the capability to enter into Development Agreements which include provisions for City assistance. The City does not have a program to offer financial or other types of assistance to major revenue and job generating projects outside of redevelopment project areas large scale development agreements or city-owned property.

PURPOSE:

To provide criteria and procedures for a Business and Industry Incentive Program designed to attract and retain major revenue and job generating projects throughout the City.

POLICY:

It shall be the policy of the City Council to consider providing assistance to attract and retain major revenue and job generating projects which:

- Contribute to the improvement and growth of the City's economic base;
- Demonstrate an established track record for high volume tax revenue generation;
- Provide employment opportunities and child care facilities for city residents;
- Eliminate or prevent blight;
- Demonstrate a long term commitment to the community;
- Are consistent with the City's Economic Development Policy and Strategic Plan and the community's needs and objectives;
- Generate new or retained stabilized annual City tax revenues of at least \$500,000; create 200 quality jobs; provide for substantial new or expanded scientific research facilities.

Furthermore, it shall be the policy of the City Council to allow direct negotiation with revenue and job generating projects including the following types of assistance:

- Expedited permit processing to insure the timely completion of development and initiation of revenue flow;
- Formation by the City of assessment districts which provide for the long term financing of public improvements associated with the development;
- Fee credits for public improvements which are associated with the development and included in an adopted facilities financing plan;
- Reimbursement for costs of public improvements which are associated with the development from future revenue sources including public infrastructure funds;
- Reimbursement of fees through future revenues derived from the development.

PROCEDURE:

Revenue and job generating developments requesting assistance from the City of San Diego shall submit information detailing how they meet the required criteria and the type of assistance requested. Upon review by staff and/or the City's financial consultants, additional information may be requested and the applicant may be required to assume the costs of an independent analysis of their project. Should it be determined that financial assistance is justified, a proposed agreement shall be brought forward to the City Council for their consideration and action. Any agreement to provide financial assistance is

contingent on the approval of the development by the City Council or other appropriate City Agency.

REFERENCE:

Council Policy 900-01-Economic Development
Council Policy 000-19-Legislative Policy Guidelines

HISTORY:

Added by Resolution R-282497 08/09/1993
Amended by Resolution R-290241 06/15/1998

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COUNCIL POLICY

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BUSINESS AND INDUSTRY INCENTIVE PROGRAM

BACKGROUND:

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Commercial development such as a Auto malls, and shopping centers, manufacturing facilities, research and development facilities, and large as well as point-of-sale businesses are responsible for the a substantial portion of the City's general fund revenues. A decline in these types of establishments within the City of San Diego businesses' sales, number, or overall health will lead to a corresponding erosion in the tax base, jobs, and revenues to the City, and public service levels. Other jurisdictions within the region are aggressively competing compete for additional revenues and jobs from these businesses' jobs and revenues by offering attractive incentives and subsidies are commonly provided in order to attract and retain these revenue and job generating projects for the purpose of inducing them to relocate from San Diego.

A further challenge to the City's quality of life is that certain parts of the City have declined in economic vitality because of their age, competition from newer retail centers, and disinvestment. This decline further reduces the City of San Diego's property and sales tax base as well as diminishing the quality and number of these areas' residents' desired commercial services.

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designated commercial corridors to provide private sector revitalization solutions. Similarly, the City has developed a process and procedures for the disposition of City-owned land which include the ability to offer some financial incentives. The City also has the capability to enter into Development Agreements which include provisions for City assistance. The City does not have a program to offer financial or other types of assistance to major revenue and job generating projects outside of redevelopment project areas large scale development agreements or city-owned property.

Despite these programs, the City must also have a program to offer financial or other assistance for major revenue and job generating projects that promote a sound and healthy economy, to promote the stability and growth of City taxes and other revenues, to encourage new business and other appropriate development in older parts of the City, and to respond to other jurisdictions' efforts to induce businesses to relocate from San Diego.

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POLICY:

It shall be the policy of the City Council ~~to consider providing assistance to attract and retain major revenue and job generating projects which~~ as follows:

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- ~~Eliminate or prevent blight;~~
- ~~Demonstrate a long term commitment to the community;~~
- ~~Are consistent with the City's Economic Development Policy and Strategic Plan and the community's needs and objectives;~~
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A. Criteria for Business and Industry Incentives

The City may provide assistance when necessary or appropriate to attract, retain, expand, or assist projects or businesses which meet both following criteria –

3. Either:

- (a.) Provide significant revenues and/or jobs that contribute to a sound and healthy economy;
- (b.) Promote the stability and growth of City taxes and other revenues;
- (c.) Encourage new business and other appropriate development in older parts of the City; or
- (d.) Respond to other jurisdictions' efforts to induce businesses to relocate from San Diego;

and

4. Are consistent with the City's current adopted Community and Economic Development Strategy.

B. Authorized Business and Industry Incentives

The City may provide one or more of the following incentives, as necessary or appropriate, for projects or businesses that meet the criteria of A. above –

3. The City Manager or his designee may exercise administrative discretion to authorize one or more of the following incentives:

- (a.) The provision of assistance in securing required City permits and approvals;
- (b.) The provision of due diligence assistance in advance as a potentially valuable project is under consideration, and the provision of preliminary reviews;
- (c.) The expediting of required Development Review Department permits;
- (d.) Crediting up to 45% of sales or use taxes paid by the business against City business license taxes and/or development related fees, or rebating up to 25% of sales or use taxes paid by the business, if such sales or use taxes constitute previously uncollectable revenue to the City and the business pays

its sales or use taxes to the State Board of Equalization properly reporting San Diego as the situs of sale or use, consistent with the provisions of the Business Cooperation Program (Resolution R-288034); and/or
(e.) Reducing water and sewer capacity charges by \$1,000 per equivalent dwelling unit (Resolution R-287534).

4. The City Council must approve any one or more of the following incentives:
 - (a.) Reimbursing all or a portion of City permit processing fees, Development Impact Fees, Facilities Benefit Assessments, Housing Impact Fees, Water/Sewer Capacity fees; fees collected pursuant to Developer Reimbursement Agreements, and/or costs of public improvements that are a required condition of the development, from future revenues to the City generated directly from the project after the City's receipt thereof;
 - (b.) Rebating all or a part of the City's portion of real and personal property taxes paid to the County Assessor levied on real and personal property related to the project's manufacturing process after the City's receipt thereof, consistent with the provisions of authorizing state law (Calif. Rev. & Taxation Code, Section 5108 *et seq.* and 51298 *et seq.*); and/or
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PROCEDURE:

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The City Manager or his designee shall review the business or project information and may deny the requested assistance or negotiate an Incentive Agreement providing for assistance, as appropriate. If necessary, the Manager or his designee may request ~~Upon review by staff and/or the City's financial consultants, additional information, may refer the request and supporting information to a City financial consultant, or may require be requested and the applicant may be required to assume the costs of an independent consultant selected by the City. analysis of their project. Should it be determined that financial assistance~~ If assistance pursuant to this Policy is justified, a proposed an agreement shall be drafted incorporating the recommended assistance among the incentives described in Paragraph B above, as appropriate. brought forward to the City Council for their consideration and action.

An agreement that does not involve General Fund reimbursement of fees or rebate of taxes, or which authorizes reimbursement based on prior City Council authorization, may be approved by City Manager action. An agreement that requires General fund reimbursement of fees or rebate of taxes shall be presented to Any agreement to provide

financial assistance is contingent on the approval of the development by the City Council for its review and approval, along with a supporting Manager's Report or other appropriate City Agency. The Manager's Report shall include a cost/benefit analysis of the proposed incentive, including both the fiscal impact on the City as well as broader economic and social impacts, if any. General Fund obligations incurred as a result of Incentive Agreement approved by the City Council shall be included in the Annual Budget.

Incentive Agreements shall be comprehensive in scope, including all types of assistance necessary and appropriate for the business or project as well as appropriate requirements that the business or project must fulfill as conditions for receiving the assistance, including requirements involving City partnership agencies such as the Centre City Development Corporation, the San Diego Workforce Partnership, etc. Approval of an Incentive Agreement, whether by City Manager action or by the City Council, does not imply approval of required development permits, including discretionary permits.

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